

DRAFT

UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Item #12 (Rev. 1)
ID #12398
RESOLUTION E-4611
October 17, 2013**

**D R A F T
R E S O L U T I O N**

Resolution E-4611. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas and Electric Company request approval of plans for education and outreach regarding greenhouse gas revenue return to residential customers in compliance with Ordering Paragraph 29 of Decision 12-12-033.

PROPOSED OUTCOME: This Resolution finds that the 2013 customer outreach and education plans filed by the three utilities are out of compliance with D. 12-12-033, D. 12-05-015 and Public Utilities Code Section 748.5 (b). In order to ensure that customer education about greenhouse gas revenue return is competitively neutral and closely coordinated with the statewide marketing program established in D. 12-05-015, the utilities are directed to re-allocate their 2013 marketing funding to a neutral non-profit entity that will develop a statewide customer outreach and education program in coordination with Energy Upgrade California with input from the utilities, state agencies, community choice aggregators and direct access customers.

SAFETY CONSIDERATIONS: It is the utility's responsibility to adhere to all Commission rules, decisions, General Orders and statutes including Public Utilities Code Section 451 to take all actions "...necessary to promote the safety, health, comfort and convenience of its patrons, employees, and the public."

ESTIMATED COST: No additional ratepayer costs will be incurred beyond the \$3.85 million allocated to PG&E, SCE and SDG&E for education and outreach activities in 2013 by D. 12-12-033.

By Advice Letters PG&E AL 4203-E, SDG&E AL 2465-E, and SCE AL 2864-E filed on March 15, 2013.

SUMMARY

This Resolution denies the request of PG&E, SCE and SDG&E to develop and administer a customer outreach and education program for 2013 to inform customers about the greenhouse gas (GHG) allowance revenue return. This Resolution finds that the utilities' Advice Letters: do not comply with the requirement in D. 12-12-033 to educate customers in a competitively neutral manner; do not enact the Commission's direction in D. 12-05-015 to eliminate duplicative and potentially contradictory spending on separate marketing by utility; and do not comply with Public Utilities Code Section 748.5 (b) due to incorrect and confusing information in the utilities' messaging. To rectify these deficiencies, this Resolution orders the utilities to consign their 2013 outreach and education budgets to the California Center for Sustainable Energy (CCSE) to develop a competitively neutral outreach and education program that leverages the revenue return to educate customers about their energy use and engages them to participate in demand-side management programs. This Resolution permits the 2013 budgets to roll over into 2014 and authorizes CCSE to coordinate and administer outreach and education related to the first GHG revenue return to residential customers.

BACKGROUND

GHG revenue return outreach and education requirements

On December 20, 2013, the Commission adopted D. 12-12-033, which established a methodology by which the investor owned utilities (IOUs) should return to customers revenues generated from the sale of greenhouse gas (GHG) allowances allocated to them by the California Air Resources Board (ARB). Among other things, that decision directed Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) to distribute revenues to residential customers on an equal per residential account basis delivered as a semi-annual, on-bill credit, known as the "climate dividend."

Public Utilities Code Section 748.5 (b) requires the Commission to adopt a customer education program to maximize public awareness of the distribution of GHG allowance revenue to ratepayers. To fulfill this mandate, D. 12-12-033 allocated a total of \$3.85 million¹ to the IOUs for outreach and education activities in 2013². The utilities were required to abide by certain requirements in executing those activities:³

- The outreach program must be competitively neutral and the messaging must be developed in a way that does not advantage the IOU over the Community Choice Aggregator (CCA) and Direct Access (DA) Customers within its service territory
- Outreach shall occur through various channels including bill notices, websites, direct customer outreach, and various media outlets, and shall occur in advance and concurrent with the distribution of GHG revenues
- Descriptions of the cap and trade program and revenue returns must be attributed to the state of California
- Any communications from the IOU to CCA and DA customers in its service territory must include the logo of both the IOU and the CCA or DA customer
- The IOUs will, upon request of the Energy Division Director, distribute communications from the CPUC providing information about the cap and trade program

D. 12-12-033 also directed the IOUs to file applications for expanded education and outreach programs for 2014 and 2015. In order to guide the IOUs' expanded outreach and education activities in 2014/15, D. 12-12-033 directed the IOUs to spend \$500,000 in 2013 to hire a market research firm to propose activities for a broader marketing program and to advise the Commission on whether the

¹ The money was allocated as follows: \$1.7 million to PG&E, \$1.4 million to SCE and \$750,000 to SDG&E

² D. 12-12-033 Ordering Paragraph 14

³ D. 12-12-033 Ordering Paragraph 11

outreach and education program should be administered by a central statewide administrator rather than individually by each IOU.⁴

General Commission Policy on Outreach and Education

In addition to the guidance the Commission provided to the IOUs for marketing the climate dividend in D. 12-12-033, the Commission has also issued direction on how the IOUs are to carry out customer education and outreach activities generally. In particular, in D. 12-05-015 the Commission expressed a desire to “eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type” and to “move away from separately authorized marketing and outreach programs.”⁵

In order to better coordinate marketing of various demand-side efforts, the Commission directed the IOUs to contract with the California Center for Sustainable Energy (CCSE) to serve as a central statewide coordinator for the state’s various demand-side marketing efforts under the brand “Energy Upgrade California.” The Commission selected CCSE for this effort because of CCSE’s mission-driven focus, attunement to California energy policy goals, experience administering and implementing programs for a number of demand-side management areas, and positive working relationships with local and regional government partners.⁶

Although the focus of D. 12-05-015 was energy efficiency, that decision stressed that the statewide marketing effort would cover general energy education and would not be limited to energy efficiency alone.

The Commission said:

“Thus, the messages that come under the Energy Upgrade California umbrella should not be limited to energy efficiency, but should also include generalized energy education and awareness, such as

⁴ D. 12-12-033 Ordering Paragraphs 12 and 13

⁵ D. 12-05-015 Section 15.2 p. 301-302

⁶ D. 12-05-015, Section 15.2, p 302-303

information related to demand response, dynamic rate options, enabling technologies, climate change impacts, the Energy Savings Assistance Program (low-income energy efficiency program), distributed generation investment, smart grid upgrades, and any other general impacts of energy use for individuals or for the state as a whole.”⁷

Targetbase Report

Pursuant to Ordering Paragraphs 12 and 13 of D. 12-12-033, the IOUs hired the marketing firm Targetbase in April 2013 to propose expanded GHG revenue return outreach and education activities and to recommend an administrative structure for statewide customer education activities. On July 1, 2013, Targetbase served its report on the service list for Rulemaking 11-03-012.

Key findings of the report include:⁸

- Only 45% Californians are aware of the Cap and Trade Program
 - Almost none are aware of the climate dividend.
- Although Californians generally favor the cap and trade program, opinion about the program can turn negative depending on how it is presented
- Only 25 percent of Californians read their electric bill in its entirety
- Of those interested in learning more about the climate dividend, 84% would likely turn to the internet for more information
- Customers support the state’s efforts to fight climate change and want to learn how they can help
 - Customers are more interested in knowing what they can do to contribute to GHG reduction than knowing the details behind the climate dividend
 - Education about the climate dividend is a good opportunity to help engage customers in the state’s other energy management programs
- A statewide education and outreach program should be coordinated by single, centralized, non-IOU statewide administrator

⁷ D. 12-05-015 Section 15.2, p. 300

⁸ “California Climate Dividend Public Outreach Program,” Targetbase, July 1, 2013

IOU Advice Letters Proposing 2013 Outreach

On March 15, 2013, PG&E, SCE and SDG&E filed Advice Letter (AL) 4203-E, 2864-E, and 2465-E, respectively, proposing GHG revenue return outreach and education activities for 2013 and presenting the manner in which the climate dividend would appear on customer bills.

The three IOUs generally proposed to educate customers about the GHG revenue return through existing, low-cost channels. Many of the outreach and education activities proposed – including video, fact sheets, earned media, press releases, social media, and web pages – were common to all three utilities. The utilities did not propose to collaborate with one another on these activities, so presumably each utility would separately create all of these common elements.

The IOUs generally proposed including the logos of CCA and DA customers on written education and outreach materials to DA and CCA customers where feasible. Although the IOUs proposed coordinating the climate dividend customer outreach with existing IOU marketing and outreach campaigns, none referenced the Energy Upgrade California statewide marketing campaign.

The three Advice Letters also included sample bills showing the presentment of the climate dividend and offered sample language to customers that would be included on bill inserts and other communications.

Timing of GHG Revenue Return

D. 12-12-033 created several procedural steps that must be completed prior to the return of GHG revenue to customers.

First, the Commission must approve a Decision addressing the IOUs' implementation plans for the adopted GHG revenue allocation methodology. The IOUs filed their implementation plans on February 13, 2013. On May 31, 2013, Administrative Law Judge (ALJ) Jessica Hecht issued a Ruling seeking additional information on the grounds that the plans either provided insufficient detail or failed to comply with D. 12-12-033. As of August 15, 2013, a Proposed Decision approving those implementation plans has not yet been issued.

Second, D. 12-12-033 requires the IOUs to provide GHG allowance revenue to energy-intensive, trade-exposed industries (EITE) so that industrial activity does

not leave California as a result of the cap and trade program.⁹ On July 10, 2013, ALJ Melissa Semcer issued a ruling incorporating into the record an Energy Division Staff Proposal recommending formulas by which the IOUs would return revenue to EITE industries. That proposal must be formally adopted by Commission Decision prior to commencing the GHG revenue return. As of August 15, 2013, a Proposed Decision on the matter has not been issued.

Given the time needed for public comment on those two Decisions and the possibility that the Proposed Decisions may be revised in response to comment, it is possible that the climate dividend will not be issued in 2013.

In addition, the utilities will file Applications on September 1, 2013 proposing expanded outreach and education activities in 2014/15. If the Commission does not reach a Decision on these applications by the end of 2013, and if the issuance of the climate dividend is delayed until early 2014, it is possible that there will be no budget for outreach and education activities when the first climate dividend is issued.

NOTICE

Notice of AL 4203-E, 2864-E and 2465-E was made by publication in the Commission's Daily Calendar. PG&E, SCE and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-B.

PROTESTS

Advice Letters 4203-E, 2864-E and 2465-E were protested.

PG&E, SCE and SDG&E's Advice Letter AL 4203-E, 2864-E and 2465-E were timely protested by the Marin Energy Authority (MEA) and the Alliance for Retail Energy Markets (AReM) on April 4 2013.

⁹ D. 12-12-033, Ordering Paragraph 1.

PG&E, SCE and SDG&E replied to the protests of MEA and AReM on April 11, 2013.

Summary of Protests and Replies

MEA protests that the proposed outreach and education activities are biased toward PG&E bundled customers. MEA states that it is concerned that PG&E's intent to use pre-existing communications tools – such as PG&E's website, email blasts, online publications and social media – are inherently biased toward PG&E over the CCA.

MEA also protests that PG&E did not comply with Ordering Paragraph (OP) 11 of D. 12-12-033. Specifically, MEA points out that while OP 11 requires the IOUs to include the logos of CCA and DA customers on all communications to CCA and DA customers, PG&E only proposes to include those logos on written education and outreach materials where feasible.

In addition, MEA states that the IOUs did not consult with MEA prior to hiring the marketing firm that will evaluate the use of a third-party administrator, per OP 12 of D. 12-12-033.

Finally, MEA expresses concern about the lack of detail in PG&E's plan about how PG&E call centers will explain the climate dividend in a competitively neutral manner.

AReM also protested the IOU Advice Letters on April 4, 2013, on the grounds that the filed plans are not competitively neutral. Like MEA, AReM protested that the IOUs' intention to include CCA and DA logos on communications only "where feasible" violates OP 11 of D. 12-12-033, which requires the IOUs to include CCA and DA logos on "all" communications with those customers. AReM also states that the IOUs must include CCA and DA logos on customer bills when information about the climate dividend appears on the bill.

AReM also reiterated MEA's complaint that the IOUs did not consult with the CCA and DA customers before hiring the marketing firm tasked with advising the Commission on whether to use a third-party administrator.

AReM further stated that encouraging customers to reduce purchases of energy from direct access customers violates the requirement to ensure competitive

neutrality. For instance, AReM stated that PG&E's intent to include a "Call to Action" and a link to PG&E's web site would not be competitively neutral with regard to DA customers.

Finally, AReM complained that SDG&E and PG&E did not adequately explain how they would ensure that only DA customers receiving GHG revenue return would be targeted for education and outreach. And AReM stated that none of the IOUs discussed how the bill display would vary for DA versus bundled customers. AReM requested that the IOUs be required to consult with CCA/DA representatives and re-file revised advice letters.

On April 19, 2013, Energy Division accepted a late-filed protest from Hal Kane, a private citizen. Mr. Kane pointed out that PG&E grouped the climate dividend on its bill between the Energy Commission Tax and the Utility Users' Tax, which would cause customers to associate the climate dividend with taxes or to think of it as a tax. Mr. Kane also pointed out that SCE listed the climate dividend in the section of the bill called "delivery charges," even though it is not a charge, and SCE used inconsistent messaging, sometimes referring to the GHG return as a "dividend" and sometimes as a "credit."

PG&E and SCE replied to MEA and AReM's protests on April 11, 2013. PG&E replied to Hal Kane's protest on April 26, 2013.

PG&E admits that it did not consult with the CCA and DA customers prior to hiring the marketing consultant but stated its intent to collaborate with those entities going forward. PG&E proposes to schedule regular calls with CCAs, energy service providers (ESPs) and CPUC's Energy Division to ensure coordination.

PG&E also stated that it will work with the CCA and DA customers to incorporate their logos upon request on the educational and outreach materials that are provided to customers, although PG&E states that it does not have the operational capability to include CCA/DA logoed or other segmented bill inserts into the billing package.

In its reply, SCE argues that the inclusion of ESP logos on customer bills, the SCE website and emails is infeasible and not required by D. 12-12-033. SCE points out that it would need to include the logo of all ESPs in email correspondence with customers and on SCE's website in order to follow the directive of D. 12-12-033 to

include ESP logos on all communications about the climate dividend with CCA/DA customers.

SCE further argues that it should not be required to include ESP logos on DA customers' bills, as modifying each DA customer's bill to include an ESP logo would be prohibitively complicated and expensive.

SCE states that it need not follow a strict interpretation of D. 12-12-033 in order to ensure competitive neutrality, and that competitive neutrality can be ensured if SCE does not take credit for the return of GHG allowances, includes ESP logos where feasible, and provides ESPs the opportunity to review all outreach messages before they go out.

Like PG&E, SCE admits that it did not consult with ESPs prior to hiring a marketing and public relations firm to advise on the efficacy of a central statewide administrator to coordinate customer education and outreach. However, SCE states that it "fully intends to consult with ESPs" as it collaborates with the other IOUs and Targetbase on developing longer-term customer outreach and education activities going forward.

Finally, SCE argues that providing DA customers information about ways to conserve energy, including energy efficiency and demand response programs, does not competitively advantage the utility over the ESP.

DISCUSSION

Energy Division has reviewed the three Advice Letters, as well as the protests and replies.

The Advice Letters do not comply with D. 12-12-033

It is clear that the three Advice Letters do not comply with D. 12-12-033. First, MEA and AReM are correct that the IOU outreach and education plans are not competitively neutral. For instance, directing customers to utility websites and social media outlets to learn more information about the climate dividend inherently advantages the IOUs over their competitors. While it is laudable for the utilities to seek efficiencies by using existing media channels to educate customers about the climate dividend, there is no doubt that directing customers to those channels provides the IOUs an advantage over their competitors, since

customers will naturally associate the utilities with the revenue return, regardless of the content of the messages found there.

Although the PG&E and SCE may be correct that it is infeasible to include the logos of all ESPs in California on their website, in emails and other customer communications, they neglect to consider that would be feasible for them to contract with a neutral third-party administrator to perform many of these functions. For instance, a neutral third-party administrator could build and maintain a website with information about the GHG allowance revenue return so that CCA and DA customers would not be required to visit utility websites to learn about the GHG revenue return. In addition to being competitively neutral, employing a third-party administrator would create operational efficiencies and consistency of messaging compared with each IOU creating its own web pages, video and other messaging to explain the dividend.

Second, PG&E and SCE freely admit that they did not comply with D. 12-12-033 when they failed to consult with CCA and DA providers before hiring the marketing firm pursuant to OP 12. Although the IOUs promised to improve coordination going forward, the fact that they initially failed to comply with the requirement to coordinate with other ESPs indicates a lack of interest, desire or ability on the part of the IOUs to administer the climate dividend in a competitively neutral manner.

Beyond the IOUs' failure to propose activities that educate customers about the climate dividend in a competitively neutral manner, the IOUs generally fail to provide coherent and accurate messaging about the GHG revenue return and the cap and trade program.

For instance, in their draft messaging, SCE and SDG&E both say, "The State instituted the Cap-and-Trade Program as one part of a longer-term effort to make homes, businesses, and industries more energy efficient."¹⁰ This statement shows a fundamental lack of understanding of the purpose of the Cap and Trade Program. As the text of Assembly Bill (AB) 32 clearly states, the state instituted the Cap and Trade Program to reduce greenhouse gas emissions and combat global warming, which "poses a serious threat to the economic well-being, public

¹⁰ SCE AL 2864-E, p. 8

health, natural resources, and the environment of California” – not as part of an effort to promote energy efficiency. Although energy efficiency contributes to the state’s goal of reducing GHG emissions and provides other benefits, the IOUs clearly confuse the means with the larger goal when they state that the Cap and Trade Program was enacted to make homes and businesses more efficient.

Likewise, PG&E’s proposed language indicates that PG&E’s messaging is likely to be similarly confusing and inaccessible to customers. PG&E’s first copy point states, “Cap and Trade is the new state of California program designed to meet the goals of AB 32 ...” Since the majority of Californians are not likely to have memorized bill numbers associated with various laws, such a statement will likely be meaningless to many customers.

Moreover, as Hal Kane points out, the IOUs’ placement of the climate dividend on their bills seems likely to confuse customers about the nature of the climate dividend. PG&E lists the climate dividend between two taxes, which could lead some customers to believe the climate dividend is a tax. And SCE lists the climate dividend under “Delivery Charges,” which could lead customers to believe the climate dividend is a charge.

The Advice Letters do not seek to eliminate duplicative spending on separate marketing by utility, as the Commission directed them to in D. 12-05-015

In D. 12-05-015, the Commission clearly expressed a desire to “eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type” and to “move away from separately authorized marketing and outreach programs.”¹¹ That Decision further states: “To the extent that the utilities still believe that program-specific and/or utility-specific marketing is warranted, they should explain, in any budget proposals, how the narrower marketing budget and approach relates to the general Energy Upgrade California umbrella approach.”¹²

¹¹ D. 12-05-015 Section 15.2 p. 301-302

¹² Ibid.

All three utilities state that they will use the climate dividend as an opportunity to educate customers about the relationship between energy use and GHG emissions and to encourage customers to reduce energy use. Nevertheless, each of the three utilities proposes duplicative and separate marketing programs without stating how the narrower budget and approach relates to Energy Upgrade California.

Moreover, instead of taking advantage of the efficiencies available by employing the Energy Upgrade California statewide administrator to conduct market research, develop messaging, build websites, and conduct other tasks that are common to all three IOUs, each utility has proposed pursuing these tasks separately, thus creating redundancy, inefficiency and potentially inconsistent messaging.

Although D. 12-12-033 authorizes the utilities to develop the content of the messaging of the general outreach and education activities, that Decision does not prohibit them from contracting with a central statewide administrator to complete those tasks. Moreover, D. 12-12-033 does not relieve the utilities of their obligation to comply with other Commission Decisions and policies, including the directive in D. 12-05-15 to eliminate duplicative and contradictory spending on separate marketing by utility or program type.

Use of a statewide administrator would correct many deficiencies in the Advice Letters

In their protests, MEA and AReM complain that the IOUs' Advice Letters did not propose to conduct outreach and education in a manner that is competitively neutral. For instance, the utilities did not propose to include the logos of CCA and DA providers on all communications with ESP customers. The utilities replied that it is not feasible to include CCA and DA provider logos on all communications with customers, including web sites and emails.

The utilities may be correct that it is not feasible to include ESP logos on all communications about the climate dividend, but they neglect to consider that it is perfectly feasible for them to contract with a neutral statewide administrator that would be able to convey information about the climate dividend in a competitively neutral manner. Such an administrator could conduct market research, develop messaging, build websites, create video, leverage social media, and conduct outreach in a way that would not advantage the IOUs over their

competitors or indirectly imply that the IOUs themselves are responsible for the climate dividend.

Moreover, the requirement to include ESP logos on all communications only applies to communications from the utilities. A neutral third-party administrator performing those communications without including ESP logos would be in compliance with D. 12-12-033.

A third-party administrator would not have access to customers' personal contact information unless it were provided by the utilities, and thus some messaging, such as that in emails and bills, may still be carried out by the utilities. Nevertheless, using a neutral third-party to create the message itself and to develop neutral sources of information where customers can learn more about the climate dividend will reduce the utilities' competitive advantage to the greatest extent feasible.

Use of a neutral third-party administrator would correct other deficiencies in the IOUs' outreach and education plans as well. First, it would "eliminate duplicative and potentially contradictory spending on separate marketing by utility" in accordance with D. 12-05-015.

For instance, the Targetbase report found that most customers are not very well aware of the cap and trade program or the GHG revenue return and that customer attitudes about those efforts can become negative if the message is not delivered in the right way. Market research and careful message development is needed to inform customers about a complex new policy in a way that conveys the message in a positive, succinct and easy to understand manner that motivates the customer to take action on the state's energy policy goals. It would be duplicative and unnecessary for each of the three utilities to conduct these activities individually.

In addition, the utilities have demonstrated that they lack even a basic understanding of the purpose of the cap and trade program, stating that it was enacted as "one part of a longer-term effort to make homes, businesses and industries more energy efficient." A statewide administrator with knowledge of the state's energy policies and a public interest focus could craft messaging in a way that is simultaneously accurate, appeals to customers and promotes the state's policy goals.

Finally, the marketing firm directed to study this issue specifically recommended the use of a central statewide administrator to coordinate customer education and outreach of the climate dividend. Although the Targetbase report was intended to inform the utilities' Applications for 2014/15, it makes no sense to ignore the recommendations in the report when determining 2013 activities.

The outreach and education activities conducted in 2013 will obviously be related to those in 2014 and 2015. The Commission clearly does not intend to conduct one outreach program in 2013 and then scrap that program in favor of a completely different program a year later.

This Resolution does not prejudice the Utilities 2014/15 applications, which will be filed on September 1, 2013. However, if the Commission authorizes the utilities to conduct separate and disjointed activities in 2013, and then later decides to employ a central statewide administrator in 2014/15, much of the 2013 spending will have been expended on activities (such as development of messaging and communications tools) that would likely be redone by the central administrator.

On the other hand, if the Commission directs the utilities to focus their 2013 funding on working with a statewide administrator to conduct market research, develop messaging, build educational tools, and put together a plan for a coordinated, competitively neutral outreach and education plan for 2014/15, the Commission could later decide to allow the IOUs to conduct their own separate education and outreach activities using the strategies, messaging and resources developed by the statewide administrator.

In short, having the GHG revenue return outreach and education campaign developed by a single centralized statewide administrator creates less risk of stranded cost later, regardless of whether the Commission decides to use a statewide administrator for 2014/15 activities or not.

The Utilities should coordinate GHG allowance revenue return education activities with Energy Upgrade California

In their GHG allowance revenue outreach and education plans, all three IOUs emphasize the need to connect the climate dividend with personal actions a customer could take to conserve energy and reduce GHG emissions. In fact, in its reply to protests, SCE explicitly argues that outreach and education around GHG

revenue return should “provide customers with long-term solutions for reducing GHG,”¹³ which would presumably include information about energy efficiency and other demand management programs – the very programs Energy Upgrade California was established to promote.

Moreover, the scope of the Energy Upgrade California campaign clearly includes education about climate change, and education about the GHG revenue return is already scoped into the Energy Upgrade California 2013-2014 Marketing Plan, which was filed on the docket for Application 12-08-007 on March 14, 2013.¹⁴ That plan already includes activities to increase public awareness of the climate dividend, such as including a web page to inform customers about it.

And because the Energy Upgrade California campaign is already conducting market research, building web sites and developing outreach resources, there would clearly be efficiencies to leveraging those efforts to market the climate dividend as part of the same statewide effort.

Nevertheless, none of the IOUs explains how they will coordinate the two programs – or even mentions Energy Upgrade California – despite the clear guidance in D. 12-05-015 that future statewide marketing campaigns directed at encouraging customers to save energy should be coordinated with Energy Upgrade California.

The use of CCSE as a statewide coordinator would ensure coordination with Energy Upgrade California, eliminate redundant messaging, improve the competitive neutrality, and would enable the outreach program to launch quickly

Ordinarily, when utilities file Advice Letters that do not comply with Commission policy, Energy Division orders the utilities to re-file. In this case, however, the limited time left before disbursement of the GHG revenue return requires that the Commission act quickly to develop and implement customer education activities in a thoughtful and coordinated manner to achieve

¹³ SCE Reply to Protests, p. 4.

¹⁴ Energy Upgrade California 2013-2014 Marketing Plan

maximum feasible public awareness of the return in accordance with Section 748.5 (b).

Given the issues raised by MEA and AReM and the IOUs' replies, the Commission recognizes that it may not be feasible for the IOUs to administer outreach and education of the GHG revenue return in a manner that is competitively neutral. Moreover, their proposed messaging confuses the very purpose of the cap and trade program and uses terminology that is likely to be confounding to consumers.

Simply ordering the utilities to re-file their Advice Letters proposing different outreach and education activities would not solve these fundamental problems. In order to comply with Section 748.5 (b), the Commission must designate a different organization to develop and administer this program.

Given the deficiencies in the utilities' plans and the Commission's desire to consolidate various customer education initiatives under the Energy Upgrade California statewide umbrella brand, the logical approach is to direct the utilities to contract with CCSE to develop and administer the GHG revenue return outreach and education program using the budgets set aside for these activities in 2013. This approach solves several problems identified in this Resolution and furthers a number of state policy goals:

- It complies with the Commission's directive expressed in D. 12-05-015 to eliminate "duplicative and potentially contradictory spending on separate marketing by utility"
- It ensures that the climate revenue return will be administered in a competitively neutral way that does not advantage the utilities over their competitors – a concern expressed by the protesting parties
- It acts on the recommendation in the Targetbase report to execute outreach and education activities under the coordination of a central statewide administrator
- It leverages the revenue return to spur customers to action and furthers state energy policy goals via Energy Upgrade California
- It does not create a separate marketing campaign that could potentially compete with and dilute the Energy Upgrade California message
- It creates efficiencies, economies of scale and cost savings by leveraging resources already in place for the implementation of Energy Upgrade California

The IOUs should consign their 2013 outreach and education budgets to CCSE to serve as statewide coordinator for this program

Immediately upon passage of this Resolution, the IOUs should contract with CCSE, either as an extension of their existing contract with PG&E or as a new contract, to develop and implement a competitively neutral customer outreach and education program to achieve maximum feasible public awareness of the GHG revenue return.

Tasks under this contract should include: conducting market research to develop and refine messaging; contracting with a public relations firm to advise on media strategy; building websites, social media and other resources to educate customers about the climate dividend as CCSE deems appropriate; crafting messages that explain the climate dividend to appear on bill inserts, emails and other media; developing a plan that includes strategies and tactics to increase public awareness and that could be executed by the utilities in the absence of a third-party administrator if the Commission so decides.

CCSE should work in concert with the IOUs, CCAs and DA providers and the Energy Division in its development of customer outreach and education activities around the climate dividend. CCSE should develop the messaging that appears on bill inserts from the IOUs, and on email blasts to IOU customers.

The IOUs should dedicate the entirety of their 2013 outreach and education efforts to the contract with CCSE. Any activities the utilities might undertake to support this effort – for instance redesigning their bills to accommodate the climate dividend – should be considered administrative in nature and should be paid for out of the IOUs administrative budgets authorized in D. 12-12-033 Ordering Paragraph 18.

The IOUs should consult with CCSE and Energy Division regarding the placement of the climate dividend on customer bills and on the language used to describe the dividend

The IOUs' initial proposals for presenting the climate dividend on customers' bills does not comply with the directive in Section 748.5 (b) to ensure "maximum feasible public awareness" of the GHG revenue return.

PG&E proposed grouping the climate dividend under the section labeled “Adjustments” between two taxes (the “Energy Commission tax” and the “Utility Users’ Tax”). As Hal Kane points out in his protest, PG&E’s presentation of the bill in this manner could intentionally or unintentionally leads customers to believe that the climate dividend is a tax. SCE proposed to put the climate dividend on page 3 of the bill, under delivery chargers. Neither of these placements seems designed to produce a high level of awareness among customers. In addition, PG&E has re-designed its Energy Statements since filing the Advice Letter, so that portion of the filing may no longer be relevant.

Although there are limitations on how much utilities can alter the layout of a bill in any particular month, it is likely that the IOUs could feasibly present the climate dividend on their bills in a way that better fosters customer awareness compared with what they proposed in their Advice Letters. Thus, after consulting with CCSE and Energy Division, the IOUs should provide sample bill displays to Energy Division, no later than 45 days following approval of this Advice Letter, to be approved by letter from Energy Division Director Ed Randolph.

Educating direct access customers about ways to conserve energy does not violate the principle of competitive neutrality.

In its protest, AReM states that educating DA customers about ways to conserve energy would advantage the utility over the DA provider. The Commission rejects this interpretation of D. 12-12-033. Energy efficiency and conservation have been key California policy goals for several decades, and education on those initiatives should be made available to all electricity customers in the state, regardless of service provider. DA customers contribute through their rates to public purpose programs such as energy efficiency and conservation programs that will be marketed under the statewide Energy Upgrade California brand, and they have a right to take advantage of the benefits offered by these programs.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day

period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

Comments were filed on October 7, 2013 by the AReM, the CCSE, the Center for Accessible Technology (CforAT), the Greenlining Institute, MEA, the Natural Resources Defense Council (NRDC), the Office of Ratepayer Advocates (ORA), PG&E, SCE and SDG&E.

Summary of Comments

AReM, MEA, CforAT, Greenlining, NRDC, CCSE and ORA all express support for the Draft Resolution. PG&E, SCE and SDG&E oppose the DR.

CforAT agrees that the use of CCSE as a statewide coordinator would ensure coordination with Energy Upgrade California, reduce inefficiencies and instances of redundant messaging, and enable the outreach program to launch more quickly. CforAT also notes that CCSE has been working to effectuate outreach to the disability community, and that this population will likely benefit from CCSE's knowledge on the issue. CforAT proposes that CCSE's scope of work explicitly include hard-to-reach populations in all tasks.

Greenlining and NRDC note that the Climate Dividend presents a unique opportunity to leverage existing demand-side programs to empower consumers to participate in California's efforts to fight Climate Change. The two groups recommend that the Commission use the California Community Environmental Health Screening tool for targeting hard to reach customers, support diverse businesses in outreach efforts, use accessible technologies for disabled customers, and employ print and digital communications that are in-language, culturally relevant and developed collaboratively with relevant CBOs.

ORA also agrees with the Draft Resolution, noting that "using a statewide coordinator to develop and administer a competitively neutral, statewide outreach and education program will help ensure that education and outreach efforts are coordinated for all energy programs falling under the Energy Upgrade

California umbrella.” ORA further states that it agrees with the Draft Resolution’s directive to consign the entirety of the IOUs 2013 outreach and education budgets to CCSE, and that any activities the utilities may undertake to support this effort should be considered administrative in nature and paid for out of the IOUs’ administrative budgets.

SCE disagrees with many of the findings and conclusions in the Draft Resolution, in particular the directive to consign the 2013 outreach and education budgets to CCSE. SCE argues that consigning those budgets to CCSE absent a competitive process, governance model or scope of work is not supported by the record. SCE recommends that the Commission dismiss SCE’s Advice Letter and consider SCE’s proposal in its August 30, 2013 Application (A. 13-08-027), which proposes to use a portion of the 2013 budgets to hire through a request for proposals (RFP) a central marketing and advertising agency to develop content and messaging for the climate dividend. SCE further argues that, contrary to the Draft Resolution, SCE’s Advice Letter is not out of compliance with D. 12-12-033.

Likewise, PG&E asserts that the utility advice filings were superseded by subsequent utility filings and recommends the Draft Resolution be withdrawn and revised to be consistent with the IOUs Applications proposing GHG revenue return outreach and education activities for 2014-2015. PG&E supports the use of the statewide Energy Upgrade California program for GHG outreach but notes that the EUC program’s current scope does not meet all the needs of the GHG program, because it omits local customer outreach efforts that should be conducted by the IOUs and does not include Emissions-Intensive, Trade-Exposed customers. Finally, PG&E complains that the Draft Resolution provides no evaluation metrics for education and awareness that would apply to the statewide coordinator’s expenditures.

SDG&E also opposes the Draft Resolution. SDG&E argues that the Draft Resolution is untimely and moot. SDG&E further states that AL 2465-E complies with D. 12-12-033 because SDG&E proposes to incorporate the logos of ESPs on written education and outreach materials to DA customers, and contrary to the assertion of the Draft Resolution, the messaging proposed by SDG&E is coherent and accurate. Moreover, SDG&E states that if there are deficiencies in its filing, SDG&E should be provided the opportunity to correct them. Finally, SDG&E argues that the Draft Resolution improperly distributes funds to a third party outside of a competitive process and without sufficient record support in doing so. SDG&E argues that if the Commission determines that a third party should

administer the utilities' customer outreach programs for 2014-2015, then the more appropriate approach would be to retain the services of a third party administrator through a competitive solicitation and include coordination with Energy Upgrade California within the scope of work.

CCSE agrees with the Draft Resolution. CCSE notes that it would not make sense to launch an entirely new brand effort around the Climate Dividend and GHG revenue return at the same time and with the same target audience as Energy Upgrade California. CCSE further states that leveraging the Energy Upgrade California brand to support the GHG education campaign can result in cost savings for ratepayers and can connect consumer action and behavior with the state's climate change goals and policies.

In its comments on the Draft Resolution, CCSE presents recommendations for Q4 2013 and Q1 2014 education and outreach activities, including: conducting market research to address gaps in the Targetbase report, testing messages and creative materials; conducting stakeholder meetings with IOUs, CCAs and DA providers; developing a plan for competitively neutral customer outreach and education, including development of messaging, media strategies, outreach tools and resources; and implementation of a competitively neutral customer outreach and education program in 2014.

CCSE also includes a proposed budget allocation, depicted in [Table 1](#) below.

Table 1: CCSE Proposed Budget Allocation

2013 Climate Dividend Budget (for use in 2013-2014)	Allocation	Notes and Examples
Market Research (gaps, creative, other stakeholder needs)	\$650,000	Preliminary research and early implementation follow-up; unused funds to be reallocated to implementation
Outreach and Education Plan	\$500,000	Earned, social and paid media strategies, creative concepts
Outreach and Education Resource Development	\$800,000	Integration on the EUC website, social media, partner tool kit, education, outreach and training, message testing
Begin Outreach and Education Implementation	\$1,500,000	Media buys, postage, deployment of emails and social messaging, PR and outreach implementation
Stakeholder Engagement and Administrative Expenses	\$400,000	Stakeholder workshop on research follow-up; creative review; travel and administrative expenses
Total \$ 3,850,000		

Discussion of Comments

The Commission agrees with ARem, MEA, CforAT, Greenlining, NRDC, CCSE and ORA that we should use the administrative structure already in place for Energy Upgrade California to administer GHG revenue return outreach in order capture operational efficiencies, coordinate messaging, and leverage the Climate Dividend to spur customer action on demand-side initiatives.

The Commission disagrees with PG&E, SCE and SDG&E. With regard to the utilities' argument that a competitive process should be employed to select a statewide coordinator for GHG outreach activities, the Commission notes that a statewide coordinator has already been selected to managed the Energy Upgrade California campaign, and that climate is scoped under the topics that campaign will cover. The Commission clearly did not intend in D. 12-05-015 to select a separate statewide coordinator for every product or message falling under the Energy Upgrade umbrella.

The Commission recognizes PG&E's concern that the Draft Resolution leaves no 2013 budget to the utilities for local marketing efforts and agrees that portions of the GHG customer outreach efforts should be conducted by the local providers, the IOUs. To remedy this problem, we reiterate that local utility-specific activities such as training call center staff, placing and explaining the climate dividend on bills and printing bill inserts should be considered administrative in nature and booked to the utilities' administrative accounts for administering the GHG revenue return.

Likewise, the Commission recognizes the utilities' concern that the Commission is distributing customer funds to a third party without a clear description of the scope of work to be performed, governance structure, or guidelines for oversight and review of the work of the third party.

The Commission takes the following actions to rectify these deficiencies. First, we adopt the scope of work and budget allocation proposed by CCSE in its comments to this Draft Resolution. Second, we note that CCSE's Statewide ME&O plan for 2013-2014, filed in proceeding A. 12-08-007 et. al., proposes a governance structure and performance metrics. Because CCSE's plan already anticipates conducting education and outreach for the Climate Dividend, we should simply apply to the GHG outreach effort the governance structure and

performance metrics that are adopted in the forthcoming Decision in that proceeding.

FINDINGS

1. Decision (D.) 12-12-033 directed Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E) to develop and administer a competitively neutral customer outreach and education program for calendar year 2013 on behalf of all customers receiving greenhouse gas allowance revenue, including customers of Community Choice Aggregator (CCA) and Direct Access (DA) providers.
2. D. 12-12-033 authorized PG&E, SCE and SDG&E (the utilities) to spend up to \$1.7 million, \$1.4 million, and \$750,000, respectively, on customer outreach and education activities in 2013.
3. D. 12-12-033 requires that messaging employed for the outreach and education program be developed in a way that does not advantage the investor-owned utility over Community Choice Aggregator (CCA) and Direct Access (DA) customers.
4. D. 12-12-033 required that any communications from the utilities to the CCA and DA customers pertaining to the greenhouse gas allowance revenue returns must include both the logo of the investor-owned utility and the CCA or DA provider.
5. The utilities filed Advice Letters on March 15 proposing 2013 outreach and education activities. The Advice Letters generally proposed to educate customers using existing utility communication channels, and the three utilities proposed to independently execute several identical tasks, including development of video, web pages, press releases, and promotion of the climate dividend on social media outlets.
6. Development of outreach and education materials by each utility independently would be redundant compared with development of those materials statewide by a single entity.
7. The return of greenhouse gas revenues to ratepayers is a statewide program that is not local in scope and is not particular to individual utilities.
8. The messages proposed by the utilities either incorrectly describes the purpose of the cap and trade program or use terms that are not likely to be familiar to many Californians.

9. The Marin Energy Authority (MEA) and the Alliance for Retail Energy Markets (AREM) protested the utilities' Advice Letters on the grounds that the utilities did not adequately consult them in the process of drafting their plans, and did not propose to include CCA and DA customers' logos on all communications. Thus, MEA and AREM argue that the plans are not competitively neutral.
10. In replies to protests, the utilities expressed a willingness to collaborate with CCA and DA providers going forward, but they stated it would not be feasible to include the CCA and DA providers' logos on all communications with CCA and DA customers.
11. MEA and AREM are correct that the IOU outreach and education plans are not competitively neutral.
12. D. 12-12-033 does not prohibit the utilities from contracting with a neutral third-party administrator to perform the outreach and education functions described in the Decision.
13. A neutral third-party program administrator could ensure that messaging is developed in a competitively neutral manner and could create sources of information about the GHG revenue return that is not affiliated with the utilities.
14. The report prepared by marketing firm Targetbase in accordance with D. 12-12-033 recommended a statewide third-party administrator to oversee and coordinate education and outreach of the greenhouse gas revenue return.
15. The Targetbase report recommended using the outreach and education of the GHG revenue return as an opportunity to engage and educate customers about energy management and about the state's efforts to promote energy efficiency.
16. In D. 12-05-015, the Commission adopted Energy Upgrade California as a statewide umbrella platform to encourage consumers to take action on their energy use. That Decision designated the California Center for Sustainable Energy (CCSE) to serve as statewide coordinator for the Energy Upgrade California campaign due to CCSE's statewide reach and experience implementing and administering programs for a number of demand-side programs.
17. In D. 12-05-015, the Commission stated that customer education under the Energy Upgrade California program should not be limited to energy efficiency, but should also include education about general energy use and other energy-related topics, including climate change.

18. The Energy Upgrade California 2013-2014 Marketing Plan, filed on service list A. 12-08-007 on March 14, 2013, already includes activities and strategies to educate the public about the climate dividend.
19. In D. 12-05-015, the Commission directed the utilities to reduce redundant, duplicative and contradictory marketing efforts regarding customer-side energy programs, and to explain in any budget proposals how the narrower marketing budget and approach relates to the general Energy Upgrade California umbrella approach.
20. Although all three utilities proposed using the GHG revenue return to educate customers about energy management and encourage them to participate in demand-side programs, none of the utilities explained how their approach to outreach and education relates to the Energy Upgrade California umbrella approach.
21. Designating CCSE as statewide administrator to develop an outreach and education program for the GHG revenue return in 2013 would eliminate duplicative and potentially contradictory activities and would ensure that marketing around the climate dividend is coordinated with Energy Upgrade California.
22. D. 12-12-033 requires the utilities to file applications on September 1, 2013 proposing an expanded outreach and education program for 2014 and 2015.
23. If the Commission designates a central statewide coordinator to design a competitively neutral outreach and education program using the budget allocated for 2013, it could later decide to use the individual utilities to implement that program using the resources developed by the statewide coordinator without creating redundancy or duplicative activity.
24. It is possible that the first climate dividend will not be issued in 2013.
25. It is possible that the Commission will not approve a Decision on the utilities' 2014/15 outreach and education Applications by the end of 2013.
26. Allowing the 2013 budgets to roll over into 2014 would mitigate the risk of a budget gap that would be created if the Commission does not approve the utilities' 2014/15 applications by the end of 2013.
27. The utilities should consign their 2013 outreach and education budgets to CCSE to design and develop a competitively neutral outreach and education program about the GHG revenue return in coordination with the Energy Upgrade California program, via an extension of CCSE's existing contract with PG&E.
28. CCSE should be designated responsibility for the following tasks: Building on the Targetbase report, design, develop, test and implement a content and communications strategy to drive public awareness of the GHG revenue

return; perform additional research to support message development and marketing around the GHG revenue return; hire public relations and/or other firms to implement the GHG revenue return outreach in coordination with Energy Upgrade California; develop competitively neutral web content to be integrated into and featured on the Energy Upgrade California website to educate customers about the cap and trade program and the GHG revenue return; developing other educational materials as suggested by market research; developing messaging to explain the GHG revenue return to customers in a competitively neutral way; delegating tasks to the utilities, energy service providers, community choice aggregators, and regional energy networks; coordinating and executing the first GHG revenue return.

29. The utilities' role in development of the GHG revenue return outreach and education program should be limited to those activities that would be infeasible for CCSE to execute, such as placement of the climate dividend on residential bills, printing bill inserts and training call center personnel. These activities should be considered administrative and should be funded through the utilities' administrative budgets.
30. The governance structure and performance metrics for the statewide Marketing Education & Outreach Program adopted in A. 12-08-007 et. al. should also apply to GHG revenue return education and outreach effort, which falls under the umbrella of the statewide ME&O program.
31. The budget allocation presented by CCSE in comments to the Draft Resolution and shown in [Table 1](#) is reasonable.

THEREFORE IT IS ORDERED THAT:

1. The request of the PG&E, SCE and SDG&E to develop and administer a customer outreach and education program for calendar year 2013 as requested in Advice Letters PG&E 4203-E, SDG&E 2465-E, and SCE 2864-E is denied.
2. PG&E, SCE and SDG&E will consign their 2013 outreach and education budgets to the California Center for Sustainable Energy to develop and administer a competitively neutral, statewide outreach and education program as described in the Findings of this Resolution.
3. The 2013 outreach and education budgets may roll over into 2014 and may be used to offset funding of the 2014/15 outreach and education programs.

4. The utilities' role in development of the GHG revenue return outreach and education program shall be limited to those activities that would be infeasible for a statewide coordinator to execute, such as placement of the climate dividend on residential bills and managing climate dividend content at utility websites and at call centers. These activities should be considered administrative and should be funded through the utilities' administrative budgets.
5. The utilities shall provide sample bill displays via Tier 1 Advice Letter, following the directive given in this Resolution, no later than 30 days following approval of this Resolution.
6. The governance structure and performance metrics for the statewide Marketing, Education and Outreach Program that are adopted in A. 12-08-007 et. al. should also apply to the greenhouse gas revenue return education and outreach effort approved in this Resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 17, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director